

FARRIS, MATHEWS, BRANAN
BOBANGO & HELLEN PLC

ATTORNEYS AT LAW

618 Church Street, Suite 300
Nashville, TN 37219

(615) 726-1200 telephone
(615) 726-1776 facsimile

MEMPHIS DOWNTOWN
One Commerce Square, Suite 2000
Memphis, TN 38103

(901) 259-7100 telephone
(901) 259-7150 facsimile

MEMPHIS EAST
530 Oak Court Drive, Suite 345
Memphis, TN 38117

(901) 762-0530 telephone
(901) 683-2553 facsimile

Of Counsel
Henry H. Hancock
Marye Helen Owen

William W. Farris
Harlan Mathews
Homer Boyd Branan, III
John A. Bobango ^{1,2}
Tim Wade Hellen
Edwin Dean White, III
Charles B. Welch, Jr.
John Michael Farris ²
D. Edward Harvey
Eugene Stone Forrester, Jr.
Dedrick Brittenum, Jr.
Barry F. White
Robert F. Miller
Robert A. McLean ⁵
Anita I. Lotz
Jerry W. Taylor
Michael B. Chance
Mark E. Beutelschies ¹

Steven C. Brammer
Richard H. Booth
Robert D. Hyde ⁴
Michael T. Evangelisti
Kimberly Harris Jordan
Garrett M. Estep ³
Montgomery B. Sernel
Paul C. Peel
Jon F. Minkoff

¹ also licensed in Arkansas
² also licensed in Florida
³ also licensed in Kentucky
⁴ also licensed in Mississippi
⁵ Tennessee R31 Listed Mediator

April 14, 2000

VIA HAND DELIVERY

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: **APPLICATION OF MEMPHIS NETWORK, LLC FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE
TELECOMMUNICATION SERVICES AND JOINT PETITION OF MEMPHIS
LIGHT GAS & WATER DIVISION, A DIVISION OF THE CITY OF MEMPHIS,
TENNESSEE ("MLGW") AND A&L NETWORKS-TENNESSEE, LLC ("A&L")
FOR APPROVAL OF AGREEMENT BETWEEN MLGW AND A&L REGARDING
JOINT OWNERSHIP OF MEMPHIS NETWORK, LLC.
DOCKET NO. 99-00909**

Dear Mr. Waddell:

Enclosed for filing, please find an original plus thirteen (13) copies of the exhibits to Time Warner Communications of the Mid-South's Motion for Order to Allow Additional Discovery and to Amend Procedural Schedule. These exhibits supplement the Motion, filed earlier today. Copies are being served on the parties of record.

If you have any questions or concerns with regard to this filing, please do not hesitate to contact me.

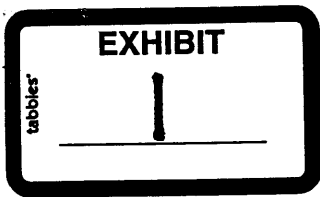
Very truly yours,
**FARRIS, MATHEWS, BRANAN
BOBANGO & HELLEN, P.L.C.**

John M. Farris

John M. Farris

CBW:ccw
Enclosure
CC: Dean Deyo

POSTED
4/14/00



MEMPHIS LIGHT, GAS AND WATER DIVISION

BOARD AGENDA

Board Room
Fifth Floor
Administration Building
220 S. Main Street
Memphis, Tennessee

1:30 P.M.
March 4, 1999

APPROVAL OF MINUTES OF MEETING OF FEBRUARY 18, 1999

PRESENTATION: Lifeblood/Jonnie Dawson

A G E N D A

- Adopted* 1. Resolution awarding Contract No. 10533, Davis Pumping Station Expansion and Seismic Retrofit, to Zellner Construction Company, Inc., \$3,895,000. (Jozelle Booker)
2. Resolution approving Change Order No. 7 to Contract No. 10250, Security Services, with Wells Fargo Guard Services in an estimated amount of \$865,280. (This change order renews the contract for a fifth term, 3/3/99 through 3/2/2000, with a 4% increase.) (Jozelle Booker)
3. Resolution approving Change Order No. 3 to Contract No. 10427, Emergency Electric Power Generating System/Davis Water Pumping Station, with Tri-State Armature & Electric Works, Inc. in the amount of \$4,400. (This change order covers additional labor associated with the Coordination Study.) (Jozelle Booker)
4. Resolution approving initiation and establishment of a telecommunications entity, \$450,000. (Jim Moncrief)
5. Resolution authorizing exercise of option to extend contract for restrained joint type gaskets with United States Pipe and Foundry Company, \$41,189, approximately. (Jim Moncrief)
6. Resolution authorizing exercise of option to extend contract for motor oil with Specialty Oil Company, Inc., \$28,104.01, approximately. (Jim Moncrief)

BC 0001

7. Resolution authorizing exercise of option to extend contract for repair clamps with Consolidated Pipe and Supply Company, \$22,200, approximately. (Jim Moncrief)
8. Resolution awarding 36-month contract for sodium hypochlorite to Vertex Chemical Corporation, \$519,139.50, approximately. (Jim Moncrief)
9. Resolution awarding 24-month contract for shirts to Tyndale Company, Inc., \$251,081.44, approximately. (Jim Moncrief)
10. Resolution awarding contract for directional boring system to Vermeer Sales & Service, \$119,863. (Jim Moncrief)
11. Resolution approving payment to the Tennessee Regulatory Authority for annual pipeline safety inspection fee, \$78,000. (Alonzo Weaver)
12. Resolution approving signature authorization. (John McCullough)
13. Resolution approving request for additional funding of Gurley-Related Sites PRP Group Activities, and authorization for payment of MLGW's assessments estimated to be \$534,829.46. (Charlotte Knight-Griffin)

MEMPHIS LIGHT GAS & WATER
BOARD OF COMMISSIONERS MEETING
3-4-99

Netters: Memphis Light Gas & Water Commission _____ section. Does anyone in the room who has anything that you would like to discuss with the Commission that is not on the agenda-- if you'd be kind enough to fill out a card. We'd be glad to recognize you at the close of the agenda. First in the order of business will be the approval of the past minutes.

So moved, Mr. Chairman.

Second.

Netters: All in favor, let me know by saying, "Aye."

Aye.

Netters: _____. So ordered. Presentation--Jonnie Dawson.

[Dawson/Lifeblood presentation. Comments re: Lifeblood]

Netters: Thank you, Ms. Dawson and the committee and many other companies for your job well done. All right, for the agenda, I believe there is one item to be--

Mr. Chairman, I make a motion that we delete Item No. 1 from the agenda.

Second.

Netters: All in favor, let me know by saying.

Aye.

Netters: Now we will entertain the motion for the approval of the agenda as amended.

Mr. Chairman, I so move.

Second.

Roll call.

Commissioner [Glen?]

Glen: Aye.

Commissioner Morris.

Morris: Aye.

Vice-Chairman Jalenak.

Jalenak: Aye.

Chairman Netters.

Netters: Aye.

Netters: Ayes have it. And so ordered. There's nothing else to come before this Commission. Let's have the motion for adjournment.

So moved.

Aye.

Netters: All in favor say "Aye."

Aye.

Netters: Ayes have it. We are adjourned.

G:\DATA\JMF\TIME\NETWORK\MLGW.3

1/9 NOTES

| Name | Universal Services For CATV | Negotiate Operating Agreement | Operating Interest | Work with the City | Attorney's Draft Strawman |
|------|--|--|--------------------|---|---|
| Erik | | <ul style="list-style-type: none"> Terms and conditions (structure) agreed to negotiation | | <ul style="list-style-type: none"> Operating agreement needs to be complete Need for Marc Smith, Ricky and Mike to answer questions regarding in lieu of taxes, bond covenants and ability to enter business Four step process with the City: Send Data Request to the City, One Day Meeting, 2 weeks working to understanding their needs, Develop Proposal | <ul style="list-style-type: none"> It will take 60 days with a number of delays to get a TRA tariff. Erik ask for qualification the government may have for MNet to gain the tariff. |
| Jer | <ul style="list-style-type: none"> Stated Time Warner's Promised to provide cable to low income housing. Did not happen Will an ISP give service for free and that isn't what MNet does? Any one with a phone line can get internet service. | | | | |

| | | | | | |
|------|--|--|--|--|---|
| Marc | <ul style="list-style-type: none"> Marc question is MNet a wholesaler, should MNet's cable provider service the issue | | | <ul style="list-style-type: none"> Marc says City already gets 4% of MLGW money goes to the City. 7.5% of gross assets is what City wants. Too high Marc to explore ideas of <u>slipping budget</u> passed board in December by <u>loaning the money</u> then having it paid out. Not a line item veto, it is approval of the whole budget Marc adds what can be done legal with the statute. Telecom statute in similar to MLGW's electric practice. | <ul style="list-style-type: none"> Original budget had money for the telecom project. If it is loaned, not approval, but City Council should brief |
| Max | | | | | |
| Mike | <ul style="list-style-type: none"> Netter doesn't realize that the backbone will need to mature to providing cable service. Mike suggests that TVA and other large clients can fill the void of aiding the | | | <ul style="list-style-type: none"> Mike spoke with Roland and he would be a champion to provide City a cash flow stream and a since of presence in deal, but the revenues City requesting is too high. Mike adds Roland will be reasonable, but City needs data to understand what numbers are reasonable. | <ul style="list-style-type: none"> |

| | community. | | | | |
|---------|--|---|---|---|--|
| Wade | <ul style="list-style-type: none"> Feels that Cable may cause people to question why. Internet service is better for public perception | | <ul style="list-style-type: none"> Suggests that not all MLGW's money should be a loan, some can stay in. John wants 60/40 revenue split. | <ul style="list-style-type: none"> Ask if there is any prohibition that the City gets money from MNet or MLGW. MNet will still have to pay taxes. MLGW pay in lieu of tax, and City cannot demand any more issues. | |
| Larry → | <ul style="list-style-type: none"> Suggest A working agreement with MHA, MNet, A&L and MLGW will get CATV Issue done and maintain business project. Larry MNet can set up cable the system. Larry say provide cable if it's just 10\$ a month, because of the senior citizen clientele MLGW can wire and pipes to home may provide cable. A possible solution to solving the issue. MLGW in that case can become a | <ul style="list-style-type: none"> Needs to educate MLGW | <ul style="list-style-type: none"> Larry wants to see the cash flow model of A&L's repayment of investment. Both parties contribute debt. MLGW's will be paid off immediately. Three years MLGW gets there money back, three years for the company to work, and three years to pay A&L. John feels it will take longer than three years to make pay backs. | <ul style="list-style-type: none"> Ricky is too close to A&L in City dealings Max and Mike should also go to discuss legal and financial issues Larry feels that Mayor will publicize the deal, if he and Herman discuss the deal Larry feels that Mayor will need something in writing. Legal Review of City Economics need to be determined Roland can negotiate for the City, but the Mayor will make to final word The Board authorized the right to set up a resolution then the | <ul style="list-style-type: none"> Larry questioned is it possible for MLGW to loan money and if so at what rate. (example Tresvant deal) |

| | | | | | |
|------------|--|--|--|--|---|
| | <p>partner of MNet</p> <ul style="list-style-type: none"> The social issues go into a time detailed budget to prove commitment to issues. Want to put something into place to the issues. Cable TV issue can slow the business down. | | | <p>board will want to approve the deal</p> <ul style="list-style-type: none"> Larry adds that at times the deal can be signed before the final Board approval and no problem occurs as long as the presentation doesn't change. The Operating Agreement is signed by both parties. Herman can sign once the Board passes a Resolution. | |
| Ed | | | | | • |
| Marc Smith | <ul style="list-style-type: none"> Try to attract Time Warner to service the area on our network. | | | <ul style="list-style-type: none"> Marc needs to find out the effects of MNet being a part of MLGE Electric Division. Telecom division will be under the Electric Division. Research MLGW transferability of fund options. Marc is going to benchmark joint venture based on the Chattanooga precedent Marc feels that MNet's Board doesn't have to be the MLGW Board | |
| Alex | <ul style="list-style-type: none"> Questions how much, where it | | <ul style="list-style-type: none"> Alex feels that keeping A&L's equity in MNet | <ul style="list-style-type: none"> Alex wants to have another lawyer on the MLGW Team | • |

| | | | | | |
|--|--|--|--|--|--|
| | comes from and the structure of Larry's budget issue needs to be discussed. Alex is concerned when the time would begin. Larry suggests three years when the network makes cash and the network is viable. | | <p>then, MLGW must pay Alex for that risk.</p> <ul style="list-style-type: none"> • Alex pitches that A&L shouldn't have to pay for social issues consider it is MLGW's baggage, which they will control. Social number estimated by Larry is small number to a million dollars. • Alex wants Board screened well. Partners should have joint veto power even with MLGW 3-2. • Alex wants a professional telecom manager, more intrinsic value for A&L • Alex feels he needs to get his investment back just as MLGW. Yet, Alex is willing to wait for three years until the company is profitable before he | | |
|--|--|--|--|--|--|

| | | | | | |
|------|--|--|--|--|--|
| | | | <p>takes his investment back.</p> <ul style="list-style-type: none"> • Alex says you can't spend revenues to pay money back which can cause an operational problem. • Alex feels the discount rate of debt needs to be determined. • Alex wants a strategy drafted to minimize the risk of public records | | |
| John | | | <ul style="list-style-type: none"> • MLGW has the potential to offer retail services. • MLGW management will mitigate politics. • John suggest maybe they will allow a cable TV company may to us their name. John feels that adds to MLGW's value. | | |

| | | | | |
|---------------------|--|--|--|--|
| <p>Ricky</p> | <ul style="list-style-type: none"> • Excited about the possibility of providing cable service. • Netters wants people who live in low income areas to get access to cable. This will be community service the MLGW should provide now that they are getting into the telecom business. • Like to see Internet access through high speed cable modems. Ricky see internet as a priority. The Cable TV is used to provide activity for senior high rises. • Netter's want to see some planning. What is the void between starting of backbone to cable service being | | | <ul style="list-style-type: none"> • Rick warns that the Mayor may caused changes to agreement • Rick feels the City is wants a dividend of what MLGW earns relationship with MLGW (influence leadership issues). • The timing to inform Mayor can be a day with financial information. City needs to look good • Ricky doesn't see the Mayor not appointments to the Board of MNet as big deal • Feels the City's request is high to get the attention of the MNet to gain education. • Ricky feels he is the best person to push issues through the City, and reestablish the credit to the City. • Ricky plans to encourage the Mayor and Herman to talk. Mayor becomes comfortable and the Board will then approve. • Rick doesn't feel that the Mayor will disagree with Roland and |
|---------------------|--|--|--|--|

| | | | | | |
|--|---|--|--|--|--|
| | <p>provided, and who will fill the void.</p> <ul style="list-style-type: none"> • Fed Ex may supply computer for the low income families | | | <p>Robert and Rick</p> <ul style="list-style-type: none"> • Rick suggest we contact the Mayor to give him a time line and see if he agrees • Ricky suggest the if MLGW has a champion on Board to use them as a ally • Ricky feels Marc Smith should inform him of existing telecom laws. • Ricky will set meetings around the schedule with the City to discuss taxes. Next Wednesday. • Max is out the week of the 12th and 19th • Marc is out the week of the 19th • Robert will be out the week of the 19th | |
|--|---|--|--|--|--|

MEMPHIS LIGHT, GAS AND WATER DIVISION

BOARD AGENDA

Board Room
Fifth Floor
Administration Building
220 South Main Street
Memphis, Tennessee

1:30 P.M.
October 21, 1999

APPROVAL OF MINUTES OF MEETING OF OCTOBER 7, 1999

PRESENTATION: MLGW/PROJECT MAX TIGER CLASSIC - Barbara Swearengen Holt

A G E N D A

1. Resolution awarding Contract No. 10597, Remittance Processing System, to Bantec, Inc. in the amount of \$242,115. (Jozelle Booker)
2. Resolution approving Change Order No. 10 to Contract No. 10116, 850 MHZ Simulcast Trunked Mobile Radio System, with Motorola, Inc. in the amount of \$124,456. (This change order covers four new radio consoles and necessary auxiliary equipment.) (Jozelle Booker)
3. Resolution awarding 36-month contract for disposal and replacement of PCB contaminated transformer oil to Safety-Kleen (PPM), Inc., \$445,500, approximately. (Sandra Kinsey)
4. Resolution awarding contract for hot water boilers to Cotton States Winnilson, \$532,371. (Sandra Kinsey)
5. Resolution awarding contract for gas fired unit heaters to the Trane Company, \$54,290. (Sandra Kinsey)
6. Resolution awarding contract for domestic hot water heaters to Cotton States Winnilson, \$124,750. (Sandra Kinsey)

7. Resolution authorizing MLGW's Purchasing department to obtain bids for customer-specified contractors and suppliers on behalf of MLGW's energy solutions.
(Max Williams)
8. Resolution approving interim funding for feasibility studies and securing regulatory approval for participation in a telecommunications entity. (Herman Morris, Jr.)
9. Resolution approving purchase of property from Memphis-Shelby County Airport Authority for use as three well lot sites for the sum of \$45,000. (Tommy Whitlow)
10. Resolution approving release of various easements. (Tommy Whitlow)

ADJOURNMENT

MEMPHIS LIGHT GAS & WATER
BOARD OF COMMISSIONERS MEETING
10-21-99

Jalenak: Light, Gas & Water meeting is now in session. If there is anybody in the audience who wants to take up something with the committee here, with the commission that's not on the agenda, please sign and we'll take it up right after the agenda is called. Ask for approval of the minutes.

So moved, Mr. Chairman.

Second.

All in favor.

Aye.

Jalenak(?): Now we have a presentation by Barbara Swearengen-Holt. Good afternoon, Ms. Holt.

[Presentation by Barbara Swearengen-Holt, special awards given.]

Jalenak(?): After the Board meeting, Ms. Holt, would you stay with us and we'd like to get a group picture in the garden of everyone we've got--everyone who's with us today.

Holt: Be glad to.

Jalenak: Thank you. This is the first we had no [additions] to the agenda. So we need a motion to accept the agenda that's not amended.

Move to [admit], Chairman.

Second.

Roll call.

Commissioner Graves.

Graves: Aye.

Commissioner Netters.

Netters: Aye.

Chairman Jalenak.

Jalenak: Aye.

Ayes have it. Motion carries.

Jalenak: Move for adjournment please.

Chairman, I move we adjourn.

Second.

All in favor.

Aye.

Meeting adjourned.

G:\DATA\JMF\TIME\NETWORK\MLGW.1

CITY COUNCIL GENERAL SERVICES COMMITTEE
MLG&W BUDGET ITEMS
NOVEMBER 16, 1999

Brown(?): --is not to come back to this body at any time. It should come here at all times. Because we are--the City is the, in the sense, the governing board of this particular, of this part of Memphis Light Gas & Water. We do appoint your presidents and your Board members. So we should have some input. It goes down--there are several items that they're concerned about. Of course, everybody got the print out, am I correct?

[several voices]

Brown: If you got the print out, it's no need to be talking about it.

Excuse me, he'd like to say something.

Brown: Okay.

If you don't mind.

Brown: First let the Chair, would it be permissible, Mr. Chairman, we've got another gentlemen here who'd like to represent the employees. The employees of Memphis Light Gas & Water would like to have some input.

Bobango: Councilman Brown, at the Chair's discretion I'll allow him two minutes to speak.

Brown: You've got two minutes, sir.

State your name.

Jones: My name is Charlie Jones. I'm an active employee of Light Gas & Water. Two minutes won't allow me time to explain all of my objections, but I thank you for the two minutes. We are opposed to Amendment 3. We are also opposed to Amendment 9, which is an attempt to have buyout protection. But this buyout protection takes the excess monies from the pension plan and puts it into another plan to either provide another pension for other employees or it provides for--it goes on to say if that doesn't happen, then it will provide medical benefits for retirees. Our objection is that the monies that are in that plan are in that plan for all of the participants of the plan. We are only asking for fairness in this. We feel that by taking those monies out and putting it specifically--designating it specifically for retirees only is not fair to all the participants of the plan. You know, we have to ask the questions of what was it designed to do and

Bobango: Yes, sir.

Mullen: And we talked about two parties involved. There's a third party that's deeply involved. We have one amendment that didn't sound like there's any opposition. [So before] we get into these discussions, we'd like to be a part of it too.

Bobango: Yes, sir. We'd love to have you at the table with us and when we have the ad hoc committee.

Mullen: You just mentioned that it would be the coalition and the Memphis Light Gas & Water, but we the retirees--

Bobango: I was--I was--take it as naming who I remembered, not as an exclusion of any one group. Okay. You're welcome. But I appreciate you wanting to come. The more the merrier. The more facts we have, maybe the better decision we'll make.

Mr. Chairman, we'll be happy to do that. Can we ask that we place this on the full Council agenda on the 7th also?

Bobango: It will be. That's right.

Because there are benefits that we'll not be able to put into effect at the first of the year.

Bobango: No, that's our intent. That's our intent. Does anyone else have a question or concern about this procedure? I hope everyone accepts it and we're just trying to make sure we get all the facts and we move forward in a _____ fashion. All those in favor of this ad hoc committee to meet under these terms and to resolve this one issue say aye. Opposed say no. Thank you. Councilman Brown, Councilman Taylor, thank you for chairing the ad hoc committee. I've got one more item on the agenda. I have item number 3 - Resolution approving the 2000 MLG&W budgets of the Electric Gas & Water Divisions for operation, maintenance, expenses, and capital expenditures, including a rate decrease. There's a typo in the agenda. It is not a rate increase. It is a rate decrease. And that is all in the--Mr. McCullough, you're having fun today.

McCullough: Yes, sir. Mr. Chairman. The 2000 operating budget for Light Gas & Water is scheduled to be approved [December 7th]

Bobango: May I have a little quiet, please. Thank you.

[long gap in tape]

Taylor(?): --[increase] and I'm glad we're able to have that, but also want to know that-- I want it to be on the record that in addition to the cost containment, visionary strategic planning and all those things that help contribute to that, that ratepayers are still paying for some of that decrease. Albeit they're doing it through builder fees which are passed on to the homebuyer.

McCullough(?): Right.

Taylor: So I hope at some point in the future we will see a slowdown in the increases in these builder fees. 'Cause concerns me is not a lot when you look at it on paper, but when you spread it over a 30 year mortgage compounded with interest it becomes a lot.

Bobango: Mr. McCullough, you come to the Council with the first rate decrease and we make it a rate increase and Councilman Taylor rains on your parade, but he does that to me too.

Taylor: I'm not raining on anybody's parade.

McCullough: Let me address that a little bit. Those fees are certainly ones that we [save]. And there's a committee at Memphis Light Gas & Water --service policy committee that's made up of about 10-15 folks engineering, finance and so forth. Those fees are theoretically cost-based fees. They're actually less than what it costs us. Because we work with the homeowner's association very closely. We hear them too. And the fees--if the truth be known, the fees are not enough to cover our costs. We have a philosophy that we want growth and new homeowners to support their costs. The philosophy is you don't want to charge existing customers additional money to support the growth in the area, so that has been a long-term philosophy that we have to charge these fees because the new customers have to pay their own way as opposed to taking money from all of the existing customers who've already paid their way. That's the theory --and we are quite sensitive to the homeowner's association. We will work closely with them and we try to hold those fees down and we will in the future.

Taylor: I, again, you know, the one that comes to mind is the temporary pedestal, which is just an electrical box out there and up until a couple years ago there was no fee for that and I don't know. You mentioned that--

McCullough: I thought we had had a \$55 fee for that for--I thought it was for a long, long time. A temporary pedestal?

Taylor: No, because you just increased it from \$32 to--

[tape ends]

Taylor: But I am sensitive to what you're saying. Some of these fees should be borne by the builder. But at the same time, it's to our advantage to have these builders building, particularly in Memphis, and if not in Memphis, in Shelby County. And, because, you know, there--there will--these homes they're buying, that they're building, people will buy them and they're gonna be ratepayers. So it's not a zero-sum game. I mean, it grows. The other thing I'd like to know at some point, you don't have to answer it today, we're kind of running behind--

Bobango: 45 minutes behind, but go ahead, Councilman Taylor.

Taylor: Thank you. I'd like to know whether or not Light Gas & Water offers any incentives for builders to build inside the city versus the county as it relates to subdivisions. I think if we own the utility, we ought to be able to offer incentives to help the builders build inside the city. Because all things being equal--if all things are equal, they can go out and their product is much easier to sell in the county for a lot of reasons that we hear of, the schools, the double taxation and all that. But if we can offer incentives through Light Gas & Water and other incentives to have these builders build inside the city, then that ought to be to our advantage. And I'll just throw that out and maybe at some point we can discuss that in greater detail.

Bobango: All right, any other questions? [several speakers] Oh, Councilman Holt--

Holt: And I am in--

Bobango: I'm sure Councilman Taylor and Councilman Jones won't mind if the Chair-elect asks a question, do you?

Holt: I appreciate the questions that Councilman Taylor asked because it has been called to our attention that the fees that people have been trying to build homes--that they're higher than anywhere else in the State of Tennessee. So it would help if we were--if we become more conscious of that because ultimately the trickle-down effect is that it effects everybody. But my question apart from that was when you said that you have eliminated jobs, at what level are those jobs eliminated? Is that the rank and file or is that with administration or where is the elimination?

McCullough: The eliminations were weighed more to management. There was a--a 15% weight given to management and 10% to the line employees, which is predominantly [b _____] the field employees, construction employees were reduced at a lesser rate than the management employees were. The feeling was that we wanted to have fewer management employees per customer just to make more efficient use of our white collar work force.

Holt: So, what is the attitude of the employees toward that kind of--

McCullough: Reduction?

Holt: Reduction.

McCullough: Well, in some areas you have, you have perceived shortages, where we don't have enough people to get the job done and so forth. But we've allocated [the research] that we have to actually increase the customer service. We offer a lot more things now than we used to with fewer employees. And I think you'll always have areas where people like to have more [additional] employees. I'm not going to say everybody's just 100% happy with the amount of staff that they have. They've never been as long as I've been here and they probably never will be. But we have really strategically allocated--we've opened up a new commercial resource center that we've never had before to give commercial customers, you know, special attention. We've got Internet bill payment now. We offer--we've got a new automated paying system throughout the community. Sixty different paying agents where you pay your bill. We've got a new computer system we're gonna have completed next year in our customer information system that will allow great enhancement and all kind of information, response, quicker service with fewer employees. I think generally the morale is good in the division right now. I think folks--nobody's been laid off. We haven't laid anybody off. It's been a gradual reduction and the reductions have

come where we gotta strategically make them to least affect the services that we offer. I'm not going to tell you that everybody's just really happy with the number they've got to work with.

Bobango: Any other questions?

Taylor(?): Only thing I'd say in the previous discussion we talk about--everybody's talking about the division being sold and all. I think we've answered that questions. And I hope that doesn't resurface, so I hope that alleviates everybody's fear. That question's been asked and answered.

Bobango: I think the thing there is Mayor Herenton's figured it out.

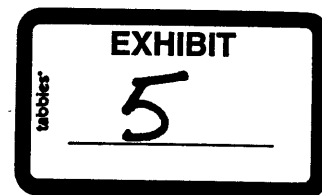
Call for question.

Bobango: All right. Any other questions? Seeing none, to approve the budget on item number--number 3, thank you. All those in favor say "Aye." Opposed. Seeing none, resolution carries. This is on the agenda for tonight?

December 7th

Bobango: I'm sorry, December 7th. Mr. McCullough, thanks for being down here and spending so much time and others as well. Councilman Brown, I appreciate you coming to the forefront on the questions regarding the pension. I think we'll have a--healthy discussion and reach a conclusion December 7th. I appreciate it very much. Thank you.

CITY COUNCIL PUBLIC HEARING
DECEMBER 7, 1999



Item 29 is a resolution approving the 2000 MLGW budgets of the Electric, Gas & Water Divisions for operation and maintenance expenses and capital expenditures, which includes a rate decrease of approximately 1.1% in the Electric Division, for revenue months beginning May of 2000.

Ford: Councilman Bobango. 29.

Bobango: Yes, sir. The committee met, recommended approval and I so move.

Second.

Ford: It's been moved and seconded. I have one light from Council Lady Holt.
Yes.

Holt: Did you read there was an increase?

No. Decrease.

Bobango: There was the typo--

Rate decrease.

Did I say increase?

Holt: Yes, you did.

Decrease, decrease.

I'm sorry. It reads decrease. I apologize.

Holt: Thank you.

You're just not used to saying decrease.

Hooks, yes. Marshall, yes.

Ford: I'm sorry about that. Let me take the vote again.

Peete, yes. Yes. Three. No. Zero.

Ford: Let's do it again, Mr. Comptroller. Okay, please cast your vote on item 29. Item 29.

Holt: Y'all need to vote.

Ford: Item 29. We need some votes.

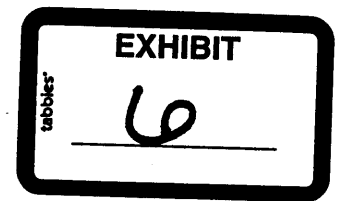
Holt: Tell them that they're vote--

Ford: Item 29, we need votes. Everyone voted?

Bobango, yes. Ford, yes. Holt, yes. Hooks, yes. Marshall, yes. Peete, yes. Taylor, yes. Vergos, yes. Yes, 8. No, 0.

Ford: Show Councilman Brown as voting yes. Item 29 passes. Going back to item 26.

G:\DATA\JMF\TIME\NETWORK\CC120799.TRN



Memphis Light, Gas and Water Division

2000 Budget

*Prepared by Budget & Financial Planning
Memphis Light, Gas and Water Division
220 S. Main Street
Memphis, Tennessee 38103*

MEMPHIS LIGHT, GAS AND WATER DIVISION
2000 BUDGET
TABLE OF CONTENTS

PAGE 1

ALL DIVISIONS

| | <u>PAGE</u> |
|------------------------------|-------------|
| Table of Contents | 1 |
| Income and Expense Statement | 2 |
| Capital Expenditures | 3 |

ELECTRIC DIVISION

| | |
|---|-------|
| Income and Expense Comparison - 1997-2000 | 4 |
| Source and Application of Funds | 5 |
| Capital Expenditures Comparison - 1997-2000 | 6 |
| Substation and Transmission - Detail | 7-10 |
| Distribution System Major Projects - Detail | 11-14 |
| General Plant - Detail | 15-25 |

GAS DIVISION

| | |
|---|-------|
| Income and Expense Comparison - 1997-2000 | 26 |
| Source and Application of Funds | 27 |
| Capital Expenditures Comparison - 1997-2000 | 28 |
| Production System | 29 |
| Distribution System Major Projects - Detail | 29-30 |
| General Plant - Detail | 31-38 |

WATER DIVISION

| | |
|---|-------|
| Income and Expense Comparison - 1997-2000 | 39 |
| Source and Application of Funds | 40 |
| Capital Expenditures Comparison - 1997-2000 | 41 |
| Production System | 42-44 |
| Distribution System Major Projects - Detail | 45-46 |
| General Plant - Detail | 47-53 |

**MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME & EXPENSE BUDGET
FOR CALENDAR YEAR OF 2000**

PAGE 2

ALL DIVISIONS

| DESCRIPTION | THOUSANDS OF DOLLARS | | | |
|---|----------------------|-----------------|-------------------|------------------|
| | ELECTRIC DIVISION | GAS DIVISION | WATER DIVISION | TOTAL |
| OPERATING REVENUE | | | | |
| Sales Revenue | 757,629 | 215,268 | 52,584 | 1,025,481 |
| Non-Sales Revenue | 11,812 | 11,968 | 3,773 | 27,553 |
| OPERATING REVENUE | 769,441 | 227,236 | 56,357 | 1,053,034 |
| OPERATING EXPENSE | | | | |
| Purchased Power | 602,530 | 0 | 0 | 602,530 |
| Purchased Gas | 0 | 147,834 | 0 | 147,834 |
| Production - LNG Plant | 0 | 2,018 | 0 | 2,018 |
| Production Expense | 0 | 0 | 8,832 | 8,832 |
| Transmission Expense | 2,336 | 0 | 0 | 2,336 |
| Distribution Expense | 20,706 | 14,315 | 6,748 | 41,769 |
| Customer Accounts Expense | 11,303 | 7,482 | 5,337 | 24,122 |
| Customer Information Expense | 1,090 | 906 | 455 | 2,451 |
| Sales Expense | 867 | 437 | 427 | 1,731 |
| Administrative & General Expense | 29,850 | 15,585 | 11,151 | 56,586 |
| OPERATING EXPENSE | 668,682 | 188,577 | 32,950 | 890,209 |
| MAINTENANCE EXPENSE | | | | |
| Transmission Expense | 1,214 | 0 | 0 | 1,214 |
| Production Expense | 0 | 557 | 1,747 | 2,304 |
| Distribution Expense | 21,636 | 4,849 | 3,605 | 30,090 |
| Administrative & General Expense | 3,268 | 1,483 | 994 | 5,755 |
| MAINTENANCE EXPENSE | 26,118 | 6,889 | 6,346 | 39,363 |
| OTHER OPERATING EXPENSE | | | | |
| Depreciation Expense | 24,648 | 9,693 | 8,825 | 41,166 |
| Payment in Lieu of Taxes | 24,522 | 11,754 | 0 | 36,276 |
| F.I.C.A. Taxes | 488 | 242 | 144 | 874 |
| OTHER OPERATING EXPENSE | 49,658 | 21,689 | 6,969 | 78,316 |
| TOTAL OPERATING EXPENSE | 744,458 | 217,165 | 46,265 | 1,007,888 |
| INCOME | | | | |
| Operating Income | 24,983 | 10,071 | 10,092 | 45,146 |
| Other Income | 28,490 | 9,563 | 4,761 | 42,814 |
| NET INCOME BEFORE DEBT EXPENSE | 53,473 | 19,634 | 14,853 | 87,960 |
| DEBT EXPENSE | | | | |
| Interest Expense - Long-Term Debt | 7,297 | 0 | 2,758 | 10,055 |
| Interest on Customer Deposits | 0 | 0 | 0 | 0 |
| Amortization of Debt Discount & Expense | 267 | 0 | 134 | 401 |
| TOTAL DEBT EXPENSE | 7,564 | 0 | 2,892 | 10,456 |
| NET INCOME AFTER DEBT EXPENSE | 45,909 | 19,634 | 11,961 | 77,504 |

PAGE 3

| | | THOUSANDS OF DOLLARS | | |
|--|----------------------|----------------------|-------------------|----------------|
| DESCRIPTION | ELECTRIC DIVISION | GAS DIVISION | WATER DIVISION | TOTAL |
| Renewal and Replacement Fund | 18,955 | 13,033 | 7,996 | 39,984 |
| Commercial Paper | 30,000 | 25,000 | 10,000 | 65,000 |
| Current Year's Revenue | 2,727 | 15,679 | 3,483 | 21,889 |
| TOTAL 2000 CAPITAL EXPENDITURES | 51,682 | 53,712 | 21,479 | 126,873 |

MEMPHIS LIGHT, GAS AND WATER DIVISION
ELECTRIC DIVISION
SOURCES AND APPLICATION OF FUNDS
2000 BUDGET

(THOUSANDS OF DOLLARS)

SOURCE OF FUNDS:

FROM OPERATIONS:

| | |
|------------|--------|
| Net Income | 45,909 |
|------------|--------|

Non-Cash Charges to Income:

| | |
|--|--------|
| Depreciation Charged to Operating Income | 24,648 |
|--|--------|

| | |
|--|-------|
| Depreciation Charged to Other Accounts | 1,984 |
|--|-------|

| | |
|---|-----|
| Amortization of Debt Discount & Expense | 267 |
|---|-----|

| | |
|-----------------------------|--------|
| TOTAL FUNDS FROM OPERATIONS | 72,808 |
|-----------------------------|--------|

| | |
|------------------|--------|
| Commercial Paper | 30,000 |
|------------------|--------|

| | |
|---------|-------|
| Salvage | 1,073 |
|---------|-------|

| | |
|-----------------------|---------|
| TOTAL FUNDS AVAILABLE | 103,881 |
|-----------------------|---------|

APPLICATION OF FUNDS:

| | |
|----------------------|--------|
| Capital Expenditures | 51,682 |
|----------------------|--------|

| | |
|---------------------------------------|-------|
| Costs of Removal and Other Charges to | 2,163 |
|---------------------------------------|-------|

| | |
|------------------------------|--------|
| the Reserve for Depreciation | 22,345 |
|------------------------------|--------|

| | |
|------------------------------|--------|
| Retirement of Long-Term Debt | 20,000 |
|------------------------------|--------|

| | |
|----------------------------------|--------|
| Telecommunications Division Loan | 96,190 |
|----------------------------------|--------|

| | |
|----------------------------|--------|
| TOTAL APPLICATION OF FUNDS | 96,190 |
|----------------------------|--------|

| | |
|--|-------|
| INCREASE (DECREASE) IN WORKING CAPITAL | 7,691 |
|--|-------|



BRENT TAYLOR
Councilman - District 2

CITY COUNCIL

March 24, 2000

Mr. Larry Thompson
Senior Vice President
Memphis Light, Gas & Water
220 South Main
Memphis, TN 38103

RE: Memphis Network

Dear Larry:

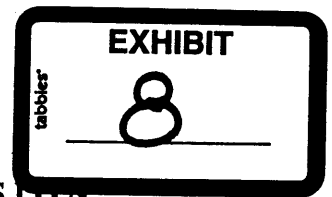
I received a copy of the letter you requested from John Bobango regarding the Memphis Network project and felt the need to follow up.

Tuesday, the members of the General Services and Utilities Committee received a copy of a Light Gas & Water document that appears to indicate some intention on the part of the Division to "slip" the \$20,000,000 loan by the Council. As Vice-Chairman of the General Services and Utilities Committee last year and as Chairman this year, as I recall, representatives of Light Gas & Water did not make the Council aware of this significant expenditure of public funds during the budgeting process. In fact, to my knowledge, the Council was not made aware of the Memphis Network project (other than what we read in the newspaper) until we received the franchise application in January 2000. Additionally, I have questions over the intent and timing of your discussions with Councilman Bobango. These discussions were held at a time when it was known that his tenure on the Council was coming to a close, obviously creating an awkward situation for him.

As the Council continues to consider this, and as you are now aware, several Committee members have expressed serious concerns about the nature, scope and the terms of this project, and the manner in which it has been presented.

Sincerely,

Brent Taylor
Chairman, General Services and Utilities Committee



MEMPHIS LIGHT, GAS AND WATER DIVISION

PRELIMINARY
BOARD AGENDA

Naval Support Activity Mid-South
Helmsman Complex
Building 760
5722 Integrity Drive
Millington, Tennessee

*Telecomm
Approved
8/19/99*

1:30 P.M.
August 19, 1999

APPROVAL OF MINUTES OF MEETING OF AUGUST 5, 1999

A G E N D A

1. Resolution awarding Contract No. 10598, Janitorial Services, to Stewart Building Maintenance, Inc. in the amount of \$249,700. (Jozelle Booker)
2. Resolution approving Change Order No. 4 to Contract No. 10468, Network/Peripheral Consultant, with Venture Technologies in the amount of \$194,038.02. (Jozelle Booker)
3. Resolution awarding contract for air disconnecting switches as follows: (Sandra Kinsey)

| | |
|----------------------------|----------|
| USCO | \$44,219 |
| Southern States, Inc. | 27,297 |
| | \$71,516 |

4. Resolution approving renewal of Contract No. 5447, Investigation of Water Resources, with the United States Department of Interior Geological Survey, for the period October 1, 1999 to September 30, 2000, in the amount of \$42,100. (Jerry Olds)
5. Resolution approving payment to the State of Tennessee Department of Environment and Conservation, the annual facility maintenance fee for public water systems, in the amount of \$50,000. (Alonzo Weaver)

BOARD LUNCHEON

12:00 Noon
August 19, 1999

Naval Base Officers Club

* * *

NSA UPDATE

Energy Solutions Department

* * *

GAS LINE EXTENSION IN MILLINGTON AREA

Reggie Bowlin

* * *

I N T E R

O F F I C E

TO: Board of Commissioners
From: Betty Rome *BR*
Subject: August 19 Board Activities - Helmsman Complex, 5722 Integrity Drive
Date: August 17, 1999

Board activities on Thursday, August 19, will be conducted in Millington at the Helmsman Complex, 5722 Integrity Drive. We will meet in the lobby of the Administration Building at 10:15 a.m. for departure to Millington.

EXCERPT
from
MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
AUGUST 19, 1999

The President submitted for approval of the Board authorization to establish a Telecommunications Division as a subdivision of the Electric Division.

WHEREAS, the Memphis Light, Gas and Water Division of the City of Memphis (MLGW) has completed its preliminary investigations into the feasibility of developing a telecommunications network through a telecommunications division of the electric division as a subdivision of the electric division of MLGW (the "Telecommunications Division") as authorized by the Board on March 4, 1999; and

WHEREAS, it is appropriate to establish the powers, duties and obligations of the Telecommunications Division.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Light, Gas and Water Commissioners, THAT:

Does this not
give us
authority to
proceed with
contractual
commitments?

WLT

1. The Telecommunications Division shall have all powers, authority, duties, responsibilities, and obligations as are now or may hereafter be provided by applicable law, all under the direction of the President and Chief Executive Officer, or his designee, including the authority to organize, create, manage, operate, either wholly or jointly with others, an entity to provide or perform those services authorized for the Telecommunications Division.

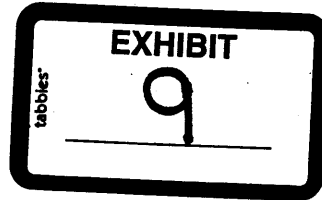
It was moved by Vice Chairman Guinn, seconded by

Commissioner Graves and unanimously carried:

THAT, Authority to establish the powers, duties and obligations of the Telecommunications Division as a subdivision of the Electric Division of MLGW is granted.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a regular ~~special~~ meeting held on 14th day of August 19 44, at which a quorum was present. This 14th day of August 19 44

[Signature]
Secretary-Treasurer



A&L UNDERGROUND, INC.

P.O. Box 878

201 East Louisa

Olathe, Kansas 66051-0878

Tel: (913) 829-0167

Fax: (913) 829-3264

June 1, 1999

Sent by Fax

Wade Stinson and
Larry Thompson
Memphis Light, Gas & Water
P. O. Box 430
Memphis, TN 38101

Dear Wade and Larry,

Just a short note to confirm our conversation that we have your verbal approval to do the installation of the conduit starting this week.

It is our understanding that A&L Networks, LLC will have ownership of the conduit until such time as the control will be transferred to M-Net based on our upcoming negotiations.

I am sincerely,

Alex Lowe

AI/rd

June 1, 1999 Letter from Alex
Lowe to Wade Stinson and Larry
Thompson

WS 0768



otherwise privileged, and that the Request calls for a legal conclusion. Subject to and without waiver of the foregoing objections, MLGW states that it principally relies upon Chapter 381 of the Private Acts of 1939, as amended, and codified as Article 65 of the Charter and Related Laws of the City of Memphis, certain Resolutions of the MLGW Board of Commissioners dated March 4, 1999, August 19, 1999, and October 21, 1999, and the provisions of Title 7, Chapter 52 of Tennessee Code Annotated.

Request No. 28. Please provide a detailed description of the network facilities that Memphis Networkx has constructed or will be constructing, or has or will be constructed for its use, for the purpose of providing the telecommunications services described in the Application subject to this proceeding. Include in your answer: (a) the location of the network facilities; (b) the name and address of the contractor; (c) the date the construction was completed and/or the scheduled date of completion; and (d) an itemization of the construction costs.

Response: No facilities have been constructed. No construction has taken place. A Notice to Contractors of a pre-bid meeting has been released and is attached as Appendix 28.

Interduct Completed by A&L Underground

(2 Runs)
1/4 Deckbit

Date 01-13-00

tabbies

EXHIBIT
11

| Job # | Job Name | Finish Date | Total Footage per Job | Approx. Ditch Footage | no telecom | bell south | time warmer | comments |
|---------|---------------------------|-------------|-----------------------|-----------------------|------------|------------|-------------|----------|
| 058-039 | Woodland Hills PH 2 | 06/30/99 | 7,660 | 3,830.0 | | | | |
| 058-047 | Sunset Downs | 07/02/99 | 5,522 | 2,761.0 | | Y | N | partial |
| 058-052 | Woodland Hills PH 10 | 07/07/99 | 2,578 | 1,289.0 | | | | |
| 058-054 | Falk Gardens | 07/28/99 | 5,409 | 2,704.5 | | Y | N | |
| 058-053 | Summer Meadows | 07/28/99 | 5,435 | 2,716.5 | | | | |
| 058-055 | Woodbridge | 08/26/99 | 19,703 | 9,851.5 | Y | Y | N | |
| 060-001 | Madison @ Schilling Farms | 09/14/99 | 15,731 | 7,865.5 | | Y | N | partial |
| 058-058 | Village of Aylington | 08/23/99 | 6,997 | 3,498.5 | Y | | | |
| 058-057 | Pletcher Trace | 08/16/99 | 2,600 | 1,300.0 | Y | | | |
| 058-062 | Woodland Hills PH 7 | 08/26/99 | 15,262 | 7,631.0 | | Y | N | partial |
| 058-063 | Fairways PH 2 | 09/21/99 | 11,684 | 5,842.0 | Y | | | |
| 058-064 | Euclanula Trails | 09/27/99 | 22,518 | 11,259.0 | Y | | | |
| 058-066 | Walnut Gardens | 10/11/99 | 18,083 | 9,041.5 | Y | | | |
| 058-072 | Rockyford | 10/19/99 | 15,958 | 7,979.0 | | | | |
| 010-013 | Forrest Wood | 09/30/99 | 5,255 | 1,627.5 | | Y | N | |
| 058-074 | Fairways PH 3 | 09/30/99 | 7,725 | 3,862.5 | Y | | | |
| 058-076 | Almaria Creek | 10/20/99 | 4,839 | 2,419.5 | Y | | | |
| 058-070 | Hampton Woods | 09/30/99 | 7,182 | 3,519.0 | Y | | | |
| 058-077 | Houston Leece Trails | 10/28/99 | 18,920 | 9,460.0 | Y | | | bs@ ent. |
| 058-079 | Village of Summer Meadows | 10/27/99 | 11,787 | 5,893.5 | Y | | | |
| 058-081 | Buckingham Farms | 11/03/99 | 12,118 | 6,059.0 | Y | | | |
| 058-073 | Hickory Creek | 11/08/99 | 19,182 | 9,591.0 | Y | | | |
| 058-082 | Barry Farms | 11/04/99 | 6,644 | 3,322.0 | Y | | | |
| 058-083 | Snyder Plantation | 11/22/99 | 18,807 | 9,403.5 | Y | | | |
| 058-090 | Westbrook Farms | 12-02/99 | 8,315 | 4,156.5 | Y | | | |
| 058-095 | Ivy Grove | | 11,315 | 5,657.5 | Y | | | |
| 058-096 | Carolina Ridge PH 1 | 11/18/99 | 7,030 | 3,515.0 | Y | | | |
| 058-093 | Almadale Farms PH 8 | 11/23/99 | 10,531 | 5,265.5 | Y | | | |
| 058-088 | Miller Grove | 11/23/99 | 13,345 | 6,671.5 | Y | | | |
| 058-084 | Woodlawn Village | 11/11/99 | 10,298 | 5,149.0 | Y | | | |
| 058-078 | Goodlet Grove | 12/10/99 | 8,860 | 4,430.0 | Y | | | |
| 060-003 | Preserve @ Southwind | 11/23/99 | 14,061 | 7,030.5 | Y | | | |
| | | | 249,348 | 124,602.0 | Y | | | |

DD
001

Keith,
I listed some of the questions that I would
like back. - Du